

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Yankee Springs	County Barry
Fiscal Year End June 30, 2006	Opinion Date October 19, 2006	Date Audit Report Submitted to State 12/12/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

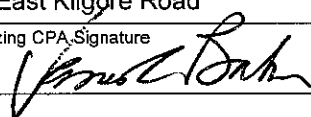
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe) SAS 60 Letter	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name James C. Baker, CPA	
		License Number 1101010743	

Township of Yankee Springs
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2006

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary funds	10
Statement of revenues, expenses and changes in fund net assets - proprietary funds	11
Statement of cash flows - proprietary funds	12
Notes to financial statements	13 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule:	
General Fund	20- 21
Fire Equipment Fund	22
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	23
Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	24

INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Yankee Springs, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information is not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Yankee Springs, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Yankee Springs, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Yankee Springs, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ligfried Crandall P.C.

October 19, 2006

Township of Yankee Springs
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,057,072	\$ 284,277	\$ 1,341,349
Receivables	166,341	30,276	196,617
Prepaid expenses	13,200	-	13,200
Total current assets	<u>1,236,613</u>	<u>314,553</u>	<u>1,551,166</u>
Noncurrent assets:			
Receivables	4,833	-	4,833
Capital assets (net of depreciation)	<u>919,083</u>	<u>1,491,659</u>	<u>2,410,742</u>
Total noncurrent assets	<u>923,916</u>	<u>1,491,659</u>	<u>2,415,575</u>
Total assets	<u>2,160,529</u>	<u>1,806,212</u>	<u>3,966,741</u>
LIABILITIES			
Current liabilities:			
Accounts payable	41,653	17,186	58,839
Current portion of contract payable	-	25,000	25,000
	41,653	42,186	83,839
Noncurrent liabilities - contract payable	-	593,281	593,281
Total liabilities	<u>41,653</u>	<u>635,467</u>	<u>677,120</u>
NET ASSETS			
Invested in capital assets, net of related debt	919,083	873,378	1,792,461
Restricted - acquisition of fire equipment	367,328	-	367,328
Unrestricted	<u>832,465</u>	<u>297,367</u>	<u>1,129,832</u>
Total net assets	<u>\$ 2,118,876</u>	<u>\$ 1,170,745</u>	<u>\$ 3,289,621</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

		Program revenues		
		Charges for	Operating	Capital
	Expenses	services	grants and	grants and
			contributions	contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Legislative	\$ 9,645	\$ -	\$ -	\$ -
General government	254,249	11,292	-	9,510
Public safety	209,869	53,136	-	-
Public works	97,330	42,659	5,641	-
Community and economic development	60,676	14,865	-	-
Culture and recreation	5,196	-	-	30,000
Total governmental activities	636,965	121,952	5,641	39,510
Business-type activities - water	141,300	109,038	-	6,719
Total primary government	\$ 778,265	\$ 230,990	\$ 5,641	\$ 46,229
General revenues:				
Property taxes				
State shared revenue				
Franchise fees				
Unrestricted investment return				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

***Net (expenses) revenues and
changes in net assets***

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (9,645)		\$ (9,645)
(233,447)		(233,447)
(156,733)		(156,733)
(49,030)		(49,030)
(45,811)		(45,811)
<u>24,804</u>		<u>24,804</u>
(469,862)		(469,862)
<u>-</u>	<u>\$ (25,543)</u>	<u>(25,543)</u>
<u>(469,862)</u>	<u>(25,543)</u>	<u>(495,405)</u>
260,645	-	260,645
289,685	-	289,685
25,171	-	25,171
<u>34,852</u>	<u>9,897</u>	<u>44,749</u>
<u>610,353</u>	<u>9,897</u>	<u>620,250</u>
140,491	(15,646)	124,845
<u>1,978,385</u>	<u>1,186,391</u>	<u>3,164,776</u>
<u>\$ 2,118,876</u>	<u>\$ 1,170,745</u>	<u>\$ 3,289,621</u>

See notes to financial statements

Township of Yankee Springs
BALANCE SHEET - governmental funds
June 30, 2006

	<u>General</u>	<u>Fire Equipment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 614,855	\$ 367,731	\$ 74,486	\$ 1,057,072
Receivables	<u>117,650</u>	<u>3,000</u>	<u>50,524</u>	<u>171,174</u>
Total assets	<u>\$ 732,505</u>	<u>\$ 370,731</u>	<u>\$ 125,010</u>	<u>\$ 1,228,246</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 30,477	\$ 3,403	\$ 7,773	\$ 41,653
Deferred revenue	<u>-</u>	<u>-</u>	<u>50,524</u>	<u>50,524</u>
Total liabilities	<u>30,477</u>	<u>3,403</u>	<u>58,297</u>	<u>92,177</u>
Fund balances:				
Unreserved	702,028	367,328	-	1,069,356
Unreserved reported in nonmajor - special revenue funds	<u>-</u>	<u>-</u>	<u>66,713</u>	<u>66,713</u>
Total fund balances	<u>702,028</u>	<u>367,328</u>	<u>66,713</u>	<u>1,136,069</u>
Total liabilities and fund balances	<u>\$ 732,505</u>	<u>\$ 370,731</u>	<u>\$ 125,010</u>	<u>\$ 1,228,246</u>

Amounts reported for *governmental activities* in the statement of net assets (Page 5) are different because:

Total fund balances \$ 1,136,069

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 919,083

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. 50,524

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 13,200

Net assets of *governmental activities* \$ 2,118,876

See notes to financial statements

Township of Yankee Springs**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCES - governmental funds**

Year ended June 30, 2006

	<u>General</u>	<u>Fire equipment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 267,928	\$ -	\$ -	\$ 267,928
State grants	295,326	-	-	295,326
Licenses and permits	75,515	-	1,792	77,307
Charges for services	15,890	-	-	15,890
Interest and rentals	24,998	13,189	-	38,187
Other	648	-	41,546	42,194
Total revenues	<u>680,305</u>	<u>13,189</u>	<u>43,338</u>	<u>736,832</u>
EXPENDITURES				
Legislative	9,645	-	-	9,645
General government	248,695	-	-	248,695
Public safety	150,422	3,403	2,543	156,368
Public works	74,577	-	22,753	97,330
Community and economic development	60,676	-	-	60,676
Culture and recreation	-	-	835	835
Capital outlay	23,072	-	74,633	97,705
Total expenditures	<u>567,087</u>	<u>3,403</u>	<u>100,764</u>	<u>671,254</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>113,218</u>	<u>9,786</u>	<u>(57,426)</u>	<u>65,578</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	40,000	66,500	106,500
Transfers out	(106,500)	-	-	(106,500)
Total other financing sources (uses)	<u>(106,500)</u>	<u>40,000</u>	<u>66,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,718	49,786	9,074	65,578
FUND BALANCES - BEGINNING	<u>695,310</u>	<u>317,542</u>	<u>57,639</u>	<u>1,070,491</u>
FUND BALANCES - ENDING	<u>\$ 702,028</u>	<u>\$ 367,328</u>	<u>\$ 66,713</u>	<u>\$ 1,136,069</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)
Year ended June 30, 2005

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds (Page 8)	\$ 65,578
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets:	
Assets acquired	99,353
Provision for depreciation	(54,331)
Changes in other assets/liabilities:	
Prepaid expense	(1,223)
Special assessments	<u>31,114</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 140,491</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF NET ASSETS - proprietary fund
June 30, 2006

	<u>Water</u>
ASSETS	
Current assets:	
Cash	\$ 284,277
Accounts receivable	<u>30,276</u>
Total current assets	314,553
Noncurrent assets - capital assets (net of depreciation)	<u>1,491,659</u>
Total assets	<u>1,806,212</u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,186
Current portion of contract payable	<u>25,000</u>
Total current liabilities	42,186
Noncurrent liabilities - contract payable	<u>593,281</u>
Total liabilities	<u>635,467</u>
NET ASSETS	
Investment in capital assets, net of related debt	873,378
Unrestricted	<u>297,367</u>
Total net assets	<u>\$ 1,170,745</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - *proprietary fund*
Year ended June 30, 2006

	<u>Water</u>
OPERATING REVENUES	
Charge for services	\$ 109,038
OPERATING EXPENSES	
Public works	96,516
Depreciation	<u>29,030</u>
Total operating expenses	<u>125,546</u>
OPERATING LOSS	<u>(16,508)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment return	9,897
Contribution from local unit	6,719
Interest expense	<u>(15,754)</u>
Total nonoperating revenues	<u>862</u>
CHANGE IN NET ASSETS	(15,646)
NET ASSETS - BEGINNING	<u>1,186,391</u>
NET ASSETS - ENDING	<u>\$ 1,170,745</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF CASH FLOWS - proprietary fund
Year ended June 30, 2006

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 102,195
Payments to suppliers	<u>(89,561)</u>
Net cash provided by operating activities	<u>12,634</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payment on contract payable	(25,000)
Interest payments on contract payable	<u>(15,854)</u>
Net cash used in capital and related financing activities	<u>(40,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment return	<u>8,197</u>
NET DECREASE IN CASH	(20,023)
CASH - BEGINNING	<u>304,300</u>
CASH - ENDING	<u><u>\$ 284,277</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (16,508)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	29,030
Changes in assets and liabilities:	
Receivables, net	(6,843)
Accounts payable	<u>6,955</u>
Net cash provided by operating activities	<u><u>\$ 12,634</u></u>
Noncash capital and related financing activities:	
Reduction in contract payable	\$ (31,719)
Less contribution from local government	<u>6,719</u>
Net cash used	<u><u>\$ (25,000)</u></u>

See notes to financial statements

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Yankee Springs, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Equipment Fund accounts for the financial resources used for the purchase of fire apparatus. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary fund:

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund relate to charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets, other than infrastructure, with an initial cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has the option of accounting for infrastructure assets retroactively. June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for road within the Township, which are owned by the County of Barry.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	5 - 15 years
Water systems	50 - 75 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vii) Property tax recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Township Board is the functional level.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's significant budgetary violations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Total appropriation</u>	<u>Actual expenditures</u>	<u>Variance</u>
Other governmental	Public works	\$ -	\$ 22,754	\$ (22,754)

NOTE 3 - DEPOSITS:

The Township's deposits, as shown in the government-wide statement of net assets are as follows:

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Totals</u>
Cash	\$ 1,057,072	\$ 284,277	\$ 1,341,349

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2006, the Township has deposits with a carrying amount of \$1,341,349 and a bank balance of \$1,363,906.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2006, \$802,011 of the Township's bank balances of \$1,363,906 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2006, for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

	<i>Governmental funds</i>			<i>Proprietary fund</i>	
	<i>General</i>	<i>Fire Equipment</i>	<i>Other governmental</i>	<i>Water</i>	<i>Totals</i>
Accounts	\$ 14,530	\$ -	\$ -	\$ 28,576	\$ 43,106
Special assessments	-	-	20,524	-	20,524
Intergovernmental	100,220	-	30,000	-	130,220
Interest	2,900	3,000	-	1,700	7,600
Totals	\$ 117,650	\$ 3,000	\$ 50,524	\$ 30,276	\$ 201,450
Noncurrent portion	\$ -	\$ -	\$ 4,833	\$ -	\$ 4,833

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 69,109	\$ -	\$ -	\$ 69,109
Capital assets being depreciated:				
Buildings and improvements	415,636	43,633	-	459,269
Equipment	138,923	55,720	-	194,643
Vehicles	541,434	-	-	541,434
Subtotal	1,095,993	99,353	-	1,195,346
Less accumulated depreciation for:				
Buildings and improvements	108,202	11,505	-	119,707
Equipment	109,577	8,214	-	117,791
Vehicles	73,262	34,612	-	107,874
Subtotal	291,041	54,331	-	345,372
Total capital assets being depreciated, net	804,952	45,022	-	849,974
Governmental activities capital assets, net	\$ 874,061	\$ 45,022	\$ -	\$ 919,083

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital assets being depreciated - water system	1,693,950	-	-	1,693,950
Less accumulated depreciation for - water system	208,261	29,030	-	237,291
Total capital assets being depreciated, net	1,485,689	(29,030)	-	1,456,659
Business-type activities capital assets, net	\$ 1,520,689	\$ (29,030)	\$ -	\$ 1,491,659

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 3,916
Public safety	49,994
Recreation and culture	421
Total governmental activities	\$ 54,331

NOTE 6 - NONCURRENT LIABILITIES:

Business-type activities:

2003 Barry County Water Supply System contract payable - payable in annual installments ranging from \$25,000 to \$40,000, plus interest at 2.5%; final payment due October 2025.	\$618,281
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The Township has pledged its full faith and credit for repayment of this obligation.

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
2003 water contract	\$ 650,000	\$ -	\$ 31,719	\$ 618,281	\$ 25,000

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At June 30, 2006, debt service requirements were as follows:

	<u>Principal</u>	<u>Interest</u>
Business-type activities:		
Year ended June 30:		
2007	\$ 25,000	\$ 15,144
2008	25,000	14,520
2009	25,000	13,894
2010	30,000	13,207
2011	30,000	12,457
2012 - 2016	155,000	50,973
2017 - 2021	175,000	30,097
2022 - 2025	<u>153,281</u>	<u>7,412</u>
Totals	<u>\$ 618,281</u>	<u>\$ 157,704</u>

NOTE 7 - INTERFUND:

A summary of interfund transfers for the year ended June 30, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Equipment	\$ 40,000	General	\$ <u>106,500</u>
Nonmajor governmental funds	<u>66,500</u>		
	<u>\$ 106,500</u>		

In 2006, transfers were made for cash flow assistance from the General Fund to the Fire Equipment Fund, the Liquor License Fund and the Park Fund.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2006, follows:

Revenues	\$ 52,136
Expenses	<u>(52,136)</u>
Excess of revenues over expenses	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 250,450	\$ 250,450	\$ 267,928	\$ 17,478
State grants	289,500	289,500	295,326	5,826
Licenses and permits	75,000	75,000	75,515	515
Charges for services	20,500	20,500	15,890	(4,610)
Interest and rentals	9,000	10,000	24,998	14,998
Other	50	50	648	598
Total revenues	<u>644,500</u>	<u>645,500</u>	<u>680,305</u>	<u>34,805</u>
EXPENDITURES				
Legislative - Township Board	<u>8,592</u>	<u>9,151</u>	<u>9,645</u>	<u>(494)</u>
General government:				
Supervisor	26,135	26,135	23,046	3,089
Elections	15,890	16,975	3,687	13,288
Assessor	36,515	36,515	32,253	4,262
Clerk	30,298	30,298	26,829	3,469
Board of review	2,843	2,853	1,381	1,472
Treasurer	34,214	34,259	32,266	1,993
Township hall	100,824	111,145	89,622	21,523
Cemetery	15,142	15,142	10,071	5,071
Administration	<u>41,200</u>	<u>41,830</u>	<u>29,540</u>	<u>12,290</u>
Total general government	<u>303,061</u>	<u>315,152</u>	<u>248,695</u>	<u>66,457</u>
Public safety:				
Fire department	86,400	105,480	98,286	7,194
Inspections department	<u>55,000</u>	<u>55,000</u>	<u>52,136</u>	<u>2,864</u>
Total public safety	<u>141,400</u>	<u>160,480</u>	<u>150,422</u>	<u>10,058</u>
Public works:				
Utilities	5,000	5,000	1,880	3,120
Roads	<u>59,750</u>	<u>74,765</u>	<u>72,697</u>	<u>2,068</u>
Total public works	<u>64,750</u>	<u>79,765</u>	<u>74,577</u>	<u>5,188</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Planning commission	\$ 25,459	\$ 35,092	\$ 36,661	\$ (1,569)
Zoning	<u>26,872</u>	<u>32,885</u>	<u>24,015</u>	<u>8,870</u>
Total community and economic development	<u>52,331</u>	<u>67,977</u>	<u>60,676</u>	<u>7,301</u>
Recreation and culture	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Capital outlay	<u>73,500</u>	<u>104,572</u>	<u>23,072</u>	<u>81,500</u>
Total expenditures	<u>653,634</u>	<u>747,097</u>	<u>567,087</u>	<u>180,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,134)	(101,597)	113,218	214,815
OTHER FINANCING USES				
Transfers out	<u>(120,000)</u>	<u>(125,000)</u>	<u>(106,500)</u>	<u>18,500</u>
NET CHANGE IN FUND BALANCES	(129,134)	(226,597)	6,718	233,315
FUND BALANCES - BEGINNING	<u>695,310</u>	<u>695,310</u>	<u>695,310</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 566,176</u>	<u>\$ 468,713</u>	<u>\$ 702,028</u>	<u>\$ 233,315</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ -	\$ -	\$ 13,189	\$ 13,189
EXPENDITURES				
Public safety	<u>4,000</u>	<u>4,000</u>	<u>3,403</u>	<u>597</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,000)</u>	<u>(4,000)</u>	<u>9,786</u>	<u>13,786</u>
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	36,000	36,000	49,786	13,786
FUND BALANCES - BEGINNING	<u>317,542</u>	<u>317,542</u>	<u>317,542</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 353,542</u>	<u>\$ 353,542</u>	<u>\$ 367,328</u>	<u>\$ 13,786</u>

SUPPLEMENTARY INFORMATION

Township of Yankee Springs
COMBINING BALANCE SHEET - Nonmajor governmental funds
June 30, 2006

	Special revenue			Total nonmajor governmental funds
	Revolving Improvement	Liquor License	Park Land Development	
ASSETS				
Cash	\$ 70,221	\$ 1,266	\$ 2,999	\$ 74,486
Receivables	<u>20,524</u>	<u>-</u>	<u>30,000</u>	<u>50,524</u>
Total assets	<u>\$ 90,745</u>	<u>\$ 1,266</u>	<u>\$ 32,999</u>	<u>\$ 125,010</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,773	\$ -	\$ -	\$ 7,773
Deferred revenue	<u>20,524</u>	<u>-</u>	<u>30,000</u>	<u>50,524</u>
Total liabilities	28,297	-	30,000	58,297
Fund balances	<u>62,448</u>	<u>1,266</u>	<u>2,999</u>	<u>66,713</u>
Total liabilities and fund balances	<u>\$ 90,745</u>	<u>\$ 1,266</u>	<u>\$ 32,999</u>	<u>\$ 125,010</u>

Township of Yankee Springs

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Nonmajor governmental funds**

Year ended June 30, 2006

	Special revenue			Total nonmajor governmental funds
	<u>Revolving Improvement</u>	<u>Liquor License</u>	<u>Park Land Development</u>	
REVENUES				
Licenses and permits	\$ -	\$ 1,792	\$ -	\$ 1,792
Other	<u>41,546</u>	<u>-</u>	<u>-</u>	<u>41,546</u>
Total revenues	<u>41,546</u>	<u>1,792</u>	<u>-</u>	<u>43,338</u>
EXPENDITURES				
Public safety	-	2,543	-	2,543
Public works	22,753	-	-	22,753
Recreation and culture	-	-	835	835
Capital outlay	<u>-</u>	<u>-</u>	<u>74,633</u>	<u>74,633</u>
Total expenditures	<u>22,753</u>	<u>2,543</u>	<u>75,468</u>	<u>100,764</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,793	(751)	(75,468)	(57,426)
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>-</u>	<u>1,500</u>	<u>65,000</u>	<u>66,500</u>
NET CHANGE IN FUND BALANCES	18,793	749	(10,468)	9,074
FUND BALANCES - BEGINNING	<u>43,655</u>	<u>517</u>	<u>13,467</u>	<u>57,639</u>
FUND BALANCES - ENDING	<u>\$ 62,448</u>	<u>\$ 1,266</u>	<u>\$ 2,999</u>	<u>\$ 66,713</u>

**Township Board
Township of Yankee Springs
Barry County, Michigan**

In planning and performing our audit of the basic financial statements of the Township of Yankee Springs, for the year ended June 30, 2006, we considered the Township's internal control structure in order to determine our auditing procedures for the purposes of expressing our opinions on the financial statements and not to provide assurance on the internal control. Our assessment of the internal control was limited to obtaining and understanding of the internal control sufficient to plan our audit and did not include tests of controls. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

- Periodic reconciliations of all bank balances (including checking, savings, and certificates of deposit) to the corresponding general ledger balances were not performed.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in an amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we believe that the absence of properly prepared bank reconciliations to be a material weakness.

This report is intended solely for the information and use of the Township Board of Trustees, management, others within the Township and Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

October 24, 2006

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